

enemy's vessels, either by the destruction of our fleet or by blockade, our carrying trade might, at all events partially, pass to alien hands; the importation of raw materials and food supplies would be checked; and commerce, manufacturing power and expansion, social condition, the receipt of foreign remittances in discharge, of our mercantile credits, and the satisfaction of internal trading obligations might, in extreme contingencies (and, in all cases, the tendency in varying degree would be in this direction), prove so grave an influence as to imperil our national credit. With these momentous implications it is to me utterly inexplicable how, as it not infrequently has occurred, any statesman can descend to light and irresponsible language which could wantonly affront the feelings of another nation, with their possible expression in distrust, dislike and inimical action. (*See Note*, p. 162.)

These national borrowings, besides diverting funds from the channels of trading and investment, involve an additional burden upon the resources of the country in the form of taxation for provision of the interest upon the borrowed capital, and the creation (if the nation be then wisely governed) of a sinking-fund for its ultimate redemption. And the imposition of every monetary burden diminishes the demand for investments, and thus tends to reduce their value.

In the next place, the nation with which we may happen to be in conflict will similarly need to borrow for its corresponding requirements, and with corresponding effects in absorbing the capital usually appropriated to trade. Thus, besides the disorganisation of the internal industrial activity of each nation, the commercial arrangements between nation and nation are both narrowed and rendered more hazardous of completion and settlement. Merchants in each country cannot count so surely, in this disturbed condition, upon the solvency of those in other countries, and their continued power of meeting their engagements ; the steady flow of business from commercial centre to centre, with its prosperous circulation and productive use of money, is thus arrested, and these

results, with the apprehension of the incalculable effects of war upon each nation's future— the more effective, the vaguer be its nature—influence in a downward way the prices of securities in each country.